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OCT 30 1973

CHR The Honorable Glenn R. Davis
House of Representatives

74-0436

Dear Mr. Davis:

In response to your recent inquiry regarding funds used by the Department of Defense for constructing commissaries and post exchanges, we obtained statistical data showing the number and costs of projects funded, or proposed to be funded, from nonappropriated and appropriated funds during fiscal years 1971 through 1973.

For the commissaries, there were 149 non-appropriated-fund projects totaling \$42 million and 23 appropriated-fund projects totaling \$40 million. For the exchanges, there were 555 non-appropriated-fund projects totaling \$135 million and 4 appropriated-fund projects totaling \$2 million. (See enclosure.)

For fiscal year 1974, the Department of Defense requested appropriated funds for eight commissary projects totaling \$19 million and for one exchange project for \$1.8 million. Comparable data is not available for nonappropriated funds.

Commissaries are required by law to add to the stores' purchase cost a surcharge to cover operating expenses for domestic transportation; maintenance of operating equipment and supplies; utilities; and losses due to shrinkage, spoilage, and pilferage. Other commissary costs are covered by appropriated funds. The Department of Defense considers excess surcharge funds collected on commissary sales to be nonappropriated funds and uses them to pay for improvements, alterations, and additions or for large construction projects, depending on the funds available. Exchanges are self-sustaining and are non-appropriated-fund activities.

Appropriated funds are generally used to pay for large commissary projects, such as construction of new stores. One major exception is the Fort Benning, Georgia, Community Shopping Center, which includes a commissary, post exchange, and several small shops and which is estimated to cost about \$8 million. This center is being financed almost entirely by nonappropriated commissary and exchange funds. Appropriated funds have not been sought because delays in obtaining them

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were anticipated and because the commissary has excess sur-charge funds to pay for the part of the shopping center it will occupy.

62 In contrast, nearly all funds used for exchange projects are nonappropriated funds. Recent exchange projects included construction, expansion, and renovation of stores and related service centers. Exceptions to using nonappropriated funds are one Army project for \$148,000 and three Navy projects totaling \$2 million. The Navy included an additional exchange project for \$1.8 million in its 1974 appropriations request which the Congress has not yet acted on.

63 The appropriated funds used for constructing the individual exchange projects we reviewed had been requested and justified on the basis of special circumstances. A Department of Defense official said that the exchange project funded from the 1972 appropriation for about \$1 million was part of a construction program replacing naval facilities in Gulfport, Mississippi, that had been destroyed by a hurricane. Navy officials told the Subcommittee on Military Construction, House 41301 Committee on Appropriations, that the two exchange projects requiring appropriated funds for 1973, totaling about \$1 million, were naval exchange facilities in Crete and in Sicily for which sufficient nonappropriated funds were not available.

We trust this information is responsive to your inquiry. If we can be of further assistance, please let us know.

We do not plan to distribute this report further unless you agree or make public its contents.

Sincerely yours,

Deputy



Comptroller General
of the United States

Enclosure

FUNDS FOR COMMISSARY AND EXCHANGE CONSTRUCTION PROJECTS

Military service	Fiscal year	Non-appropriated-fund projects (note a)				Appropriated-fund projects authorized			
		Commissaries		Exchanges		Commissaries		Exchanges	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
		(000 omitted)		(000 omitted)		(000 omitted)		(000 omitted)	
Army	1971	15	^b \$11,877	64	^b \$ 16,748	1	\$ 1,855	-	\$ -
	1972	2	369	53	6,484	2	4,277	-	-
	1973	2	1,226	73	21,533	3	9,784	1	148
	Total	19	\$13,472	190	\$ 44,765	6	15,916	1	148
Navy	1971	14	\$ 2,706	40	\$ 13,897	3	4,544	-	\$ -
	1972	15	3,456	42	8,140	1	270	1	972
	1973	12	3,317	85	14,672	1	75	2	1,021
	Total	41	\$ 9,479	167	\$ 36,709	5	4,889	3	\$1,993
Air Force	1971	35	\$ 6,668	73	\$ 27,204	4	\$ 5,101	-	\$ -
	1972	30	7,110	74	12,790	5	6,020	-	-
	1973	24	4,966	51	13,218	3	8,084	-	-
	Total	89	\$18,744	198	\$ 53,212	12	\$19,205		
Summary	1971	64	\$21,251	177	\$ 57,849	8	\$11,500	-	\$ -
	1972	47	10,935	169	27,414	8	10,567	1	972
	1973	38	9,509	209	49,423	7	17,943	3	1,169
	Total	149	\$41,695	555	\$134,686	23	\$40,010	4	\$2,141

^aProjects between \$25,000 and \$300,000 that have been started or placed under contract and projects over \$300,000 that have been proposed but not started, as indicated in Department of Defense reports.

^bIncludes one project for \$4,036,000, which approximates the share of the total estimated costs to be provided by each fund for constructing the proposed Fort Benning Community Shopping Center. (Total estimated cost \$8,072,000.)